

# United States Foreign Investments:

## Measures of Growth and Economic Effects

**T**HIS article analyzing recent trends and major features of the foreign investments of the United States summarizes the results of the worldwide Office of Business Economics census, containing a broad range of new data, soon to be published in the complete volume: *U.S. Business Investments in Foreign Countries*. For a number of basic series, including values, capital flows, and earnings of direct foreign investments, the comprehensive benchmark data obtained by the new census are carried up-to-date on the basis of sample data supplied regularly by companies which have a large part of the total. New data on sales of the foreign enterprises are also carried forward by a sampling procedure, as

are data on sources and uses of funds which will appear in a following article in the October SURVEY OF CURRENT BUSINESS.

Other comprehensive data obtained in the census, including the outlays of the enterprises abroad for wages, materials, taxes, and services, numbers of employees, structure and ownership of assets, and international shipments are not so significant as time series and the information is presented for the census year 1957.

These data add greatly to knowledge here and in foreign countries of the contributions to economic development and well-being flowing from the operations of these enterprises.

cent in 1959 and the first half of 1960. Although there has been some reduction in the United Kingdom's share of new investments since 1950, that country's share of the total direct investment in Europe is still considerably larger than it was before World War II.

Much of the increase in the recent flow to Europe has gone to Germany and France, with Italy and the Netherlands also showing large gains.

Rapid expansion of manufacturing plants accounts for most of the U.S. investment in Europe; since 1950 some \$2 billion has been added in this industry. As shown in Table 4, the increases have been spread over many product groups, with especially large gains in non-electrical machinery, transportation equipment and chemicals.

Substantial investments are also continuing by petroleum companies to enlarge refining capacity and distribution facilities. Since 1957, however, earnings of these facilities have been very low, except for those in the United Kingdom.

### Variable flow to Latin America

Year-to-year changes in the flow of investment by U.S. companies are frequently wider in Latin America than in other major areas. The flow to Latin America (including European dependencies) is largely connected with the petroleum industry's investments in Venezuela, which were at a peak in 1956-57, and then dropped sharply, although these still are larger than any other single element in the investment picture.

Aside from Venezuela, the flow to other countries in the area recovered sharply in 1959 from the reduction of 1958. In the first half of 1960, however, data available up to now indicate a decline in the overall outflow to the area, but with countries other than

## Growth of Direct Investments

**UNITED STATES** firms added \$2½ billion to their investments in foreign subsidiaries and branches in 1959, a larger increase than in 1958 but substantially less than that of the peak year 1957. Reports for the first half of 1960 indicate a moderate reduction in direct-investment outflows, although the rate is close to \$1 billion a year, and a like amount is being invested abroad each year out of undistributed profits of foreign subsidiaries.

The flow in 1959 included some \$180 million spent to acquire additional stock of existing subsidiaries or other companies already established abroad, and there have been no sizable transactions of this type so far this year.

As shown in the accompanying charts, the pace at which U.S. firms have raised

their foreign investments since 1950, and especially since 1955, has greatly exceeded that of any extended prior period. The current investment programs of the companies indicate some stabilization of the overall rate of flow, but with considerable divergences among the various industries and countries.

### European investments spurt

U.S. firms intensified their build-up of production facilities in Europe in 1959, adding nearly \$½ billion through capital outflows and retained earnings. About \$80 million of the capital flow resulted from the purchases of securities of existing companies. A similar investment pace is indicated for the current year.

The share of the United Kingdom in the additions being made to direct investments in Europe was about 45 per-

NOTE.—Substantial portions of the basic data contained in this article were prepared by Julius N. Friedman, Doris Rosenberg, Christopher M. Dooty, James Lopez, and Edmund L. Archer.

Venezuela continuing to receive a substantial capital flow.

Capital flows and undistributed profits in Latin America amounted to \$615 million in 1959, but the U.S. dollar valuation of underlying assets was reduced by further depreciations of some local currencies in terms of U.S. dollars. The book values for 1957 derived from the new census were much lower than previous estimates for some countries, particularly Argentina and Brazil, because of the restatement of net current assets at current exchange rates.

Among the countries receiving sizable flows from the United States in 1959 were Cuba, Argentina, Brazil, and Chile. The flow to Cuba represented the continuation of large expansion programs of mining and utility companies, and extensions of credit to subsidiaries of petroleum companies. This investment activity was brought to a stop when nearly all U.S. investments in Cuba were seized earlier this year.

Argentina is now receiving a substantial investment flow into petroleum development and manufacturing ventures; Brazil's inflow is mainly for further expansion of manufacturing plants, and manufacturing investments are also sizable in Mexico and Venezuela.

#### Large Canadian investments

U.S. firms added another \$800 million to their Canadian investments in 1959, about evenly divided between capital flows and retained earnings. The capital flow was about equal to the 1958 amount, but included a sharp drop in petroleum investments counterbalanced by increased amounts in the mining and manufacturing categories.

Earnings of the Canadian subsidiaries and branches were at a record of over \$700 million in 1959, but since remittances of income were held to less than half of this amount, nearly \$400 million was available for reinvestment. About 60 percent of the reinvested earnings went into manufacturing plants.

Manufacturing continues to be the leading industry for U.S. investments in Canada, with \$635 million added in 1958-59. Expansion was largest in

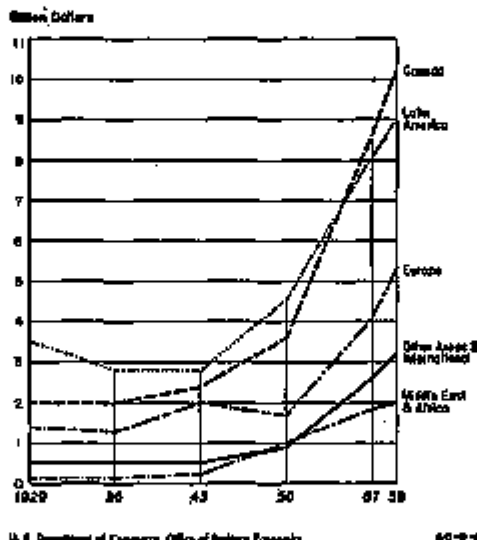
the transportation equipment, chemicals, and primary metals categories.

Petroleum investments are restrained currently by marketing difficulties, although the construction of new pipelines for natural gas will require considerable outlays. In mining there is a continuation of sizable investments, notably in further development of iron ore reserves.

#### Africa and Asia

Investment by U.S. companies in Africa and Asia is proceeding at a relatively modest rate and concentrated in a few countries. On the African continent there is considerable investment by petroleum companies in developing reserves in Northern Africa,

#### GROWTH OF DIRECT FOREIGN INVESTMENTS, BY AREA



especially in Libya. A large part of the outlay required is not reflected in increased capital values (Table 1) because it is charged against income (Table 3).

Elsewhere in Africa there are major iron ore and other mining ventures in progress along the West coast although some proposed investments may develop less rapidly than anticipated because of the unrest in certain parts of that area. Investments in Central and South Africa have been increased by only minor amounts since 1958.

Growth of investments in the Middle East, very largely in petroleum resources, has slowed down greatly since 1957. Activity necessary to expand or improve existing facilities, or establish

the potentialities of new fields, is financed largely out of funds generated by the foreign enterprises, so that there is little or no increase in the book value of the U.S. investment.

In the Far East investment activity by U.S. companies is reflected in sizable expansion in the Philippine Republic and Japan in 1959, and an increased but still relatively small flow to India. There have been some return flows from Indonesia as financing of earlier expansions is repaid.

Australia received further large U.S. investments in 1959, mainly in the manufacturing category. Most of the growth is coming out of reinvested earnings.

#### Record Manufacturing Investments

In 1959, the growth in manufacturing investments abroad for the first time exceeded \$1 billion, accounting for two-fifths of the overall increase in direct investments. The rate of investment was \$300 million higher than in 1958, and reflected strong upturns in business activity in Canada and Europe coupled with some large special transactions in Canada and the United Kingdom.

Nearly \$450 million of the increase in manufacturing investments was in Europe. The United Kingdom received more than half of this amount, with France and Germany also showing large gains. Manufacturing investments in Canada were also stepped up, largely out of reinvested earnings.

Investments in foreign mining properties in 1959 were at the highest rate since 1952-53. Canada accounted for about half of the \$300 million invested in the year, substantially more than in 1958, and the flow to Chile, Peru, Western Hemisphere dependencies and West Africa was sizable.

Capital flows and reinvested earnings in the petroleum industry aggregated over \$600 million in 1959, but this amount, while still very large, reflected reductions for many countries from the levels of the past few years. Although world productive capacity is in excess of current demand, a considerable amount of investment activity is still being devoted to developing new re-

serves, and expanding refining, marketing and transportation facilities.

Among the other industries sizable amounts were being invested in 1959 in trade and distribution establishments,

especially in parts of Latin America and Europe, as well as in public utilities in Canada and some Latin American countries, and in the shipping enterprises classified as "International."

temporarily the accelerated growth of manufacturing facilities abroad by U.S. companies, especially in the advanced countries, adds to the problem of adjustment in the U.S. balance of international payments.

## Production Abroad by Direct Investment Enterprises

AN IMPORTANT feature of the comprehensive 1957 census is the new data gathered on the participation by U.S. firms in economic growth abroad through the output of the foreign subsidiaries and branches for domestic use and export.

Aggregate sales of commodities by the foreign enterprises were \$32 billion in 1957, after eliminating intercorporate sales as far as possible. Over \$3½ billion of these sales were exported to the United States, accounting for more than one quarter of all U.S. imports in that year. An additional \$5 billion entered into international trade among foreign countries, but except for raw materials most production abroad was for consumption in home markets.

The bulk of the exports to the United States consisted of crude and processed raw materials such as petroleum, food stuffs and metals. Imports of manufactures and semi-manufactures from U.S.-owned factories abroad totalled about \$1 billion, somewhat less than one quarter of all imports of such items. Nearly 80 percent of the shipments of manufactures to the United States from direct investments abroad came from Canada, and were comprised mainly of newsprint, wood pulp, and aluminum. Imports from European plants were about \$200 million, with automobiles and parts the largest single item.

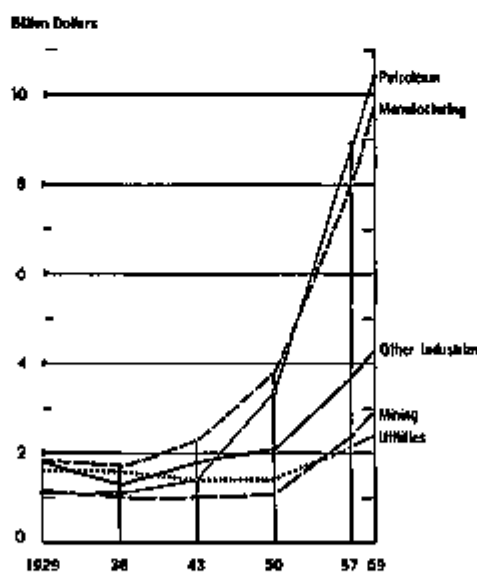
### Manufacturing sales accelerate

Total sales of the manufacturing enterprises abroad were over \$18 billion in 1957, so that sales to the United States were only about 5 percent of the total. Data for overall manufacturing sales have been updated to 1959 and show a rise to about \$21 billion (Table 5). Among the major commodity group, foreign sales are largest for auto-

motive products, chemicals, food products, and machinery.

The major impact of manufacturing sales from foreign plants is currently in foreign markets rather than in shipment to the United States. Sales of the foreign plants are 50 percent greater in the aggregate than shipments of comparable items from the United States, exceeding such shipments for

### GROWTH OF DIRECT FOREIGN INVESTMENTS, BY INDUSTRY



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many types of manufactures and in many countries.

As the expansion of manufacturing output abroad by U.S. companies speeds the industrial development of foreign countries, and to a considerable extent of those countries already industrially strong, additional marketing difficulties are met for comparable U.S. exports. In the longer run, expanding markets abroad and the development of new products might be expected to give support to export sales, but at least

### Growing petroleum production

Sales of petroleum enterprises abroad are difficult to state on a comparable basis because of the prevalence of intercorporate sales, differences in accounting practice, and vertically integrated operations from raw materials production to retail distribution. For 1957, consolidated sales of this industry were tabulated at \$11 billion, after eliminating more than \$3½ billion of intercorporate sales and shipping revenues.

This consolidated sales figure cannot be carried forward since the necessary detailed reports are not available, but the progress of the industry is indicated by the fact that production of crude oil by U.S. companies abroad (including their share of joint operations) rose from 4.8 million barrels per day in 1957 to about 5.6 million in 1959, while their foreign refinery capacity advanced from 3.4 million barrels per day in 1957 to about 4.2 million at present. Offsetting these gains in physical capacity, however, have been reductions in prices.

Mining companies produced \$2 billion of metals and minerals abroad in 1957, of which some 45 percent was exported to the United States. Production in Latin America accounted for nearly half of the total, Canada for about 35 percent, and Africa for over 10 percent. Of the various metals produced abroad, copper, lead and zinc led in sales with about 40 percent, while sales of iron ore and nickel were each about 15 percent.

Sales of mining enterprises dropped off in 1958 as world demand slackened, but by 1959 had recovered to somewhat more than the 1957 total.

Agricultural production by direct-investment enterprises was valued at \$850 million in 1957, mainly in Central America and the West Indies. Sales of properties in Cuba were about \$300 million, including \$250 million exported to the United States and other countries.

In addition to sales of commodities produced abroad, gross revenues of \$1.2

billion resulted from the operations of utility companies, other service industries had revenues of \$1.2 billion, and sales by retail and wholesale trading establishments were \$5.6 billion.

### Expenditures in Foreign Countries

Operations of the direct-investment enterprises generate a substantial flow of incomes abroad and provide a large volume of employment. Aggregate production outlays abroad and foreign taxes paid by the direct-investment companies were \$30 billion in 1957. This total excludes goods purchased by trading companies, intercorporate petroleum sales, imports from the United States, and depreciation charges, but includes both service industries and commodity producers.

#### *Wages paid and employment provided*

Wages and salaries paid in foreign countries were nearly \$7 billion, with manufacturing enterprises accounting for over half of the total and petroleum firms for about one-sixth. Employee compensation was highest in Canada, at \$2.6 billion, followed by \$2 billion in Western Europe and \$1.4 billion in Latin America.

Data on the number of persons employed abroad by the companies were supplied on a voluntary basis, and the partial data have been expanded to estimated totals by using the complete data obtained on employee compensation. Total foreign employment by the firms was over 3 million persons in 1957, with over 1 million in Europe, nearly 1 million in Latin America, and 670 thousand in Canada. The largest number of employees, 1.7 million, were in manufacturing enterprises, and petroleum ranked next with 370 thousand.

The data indicate that persons sent from the United States comprised about one percent of the foreign employment total. Of the more specialized supervisory, professional, or technical positions, about 10 percent were filled by U.S. personnel, with the proportion lower in Canada and Europe and higher mainly in those areas where petroleum operations required U.S. technicians.

#### *Materials and services purchased*

The largest outlays by the companies abroad were for materials and services, which totaled about \$17 billion after eliminating estimated duplications and imports from the United States. Manufacturing firms spent about \$10 billion for this purpose, plus over \$1 billion for non-capital goods imported from the United States.

Similar outlays abroad by the petroleum enterprises are more difficult to determine, but are estimated at \$4-5 billion in 1957. This total excludes some \$3½ billion of intercorporate sales and tanker revenues and about \$½ billion of imports from the United States.

Imports by the direct-investment firms from the United States were reported on a partial, voluntary basis at over \$2½ billion in 1957, including about \$0.7 billion of capital equipment. The total for all imports would be substantially higher, and for capital equipment would probably exceed \$1 billion. These amounts do not include transactions of trading companies.

Over \$1 billion of the imports from the United States were by manufacturing companies, indicating that a sizable portion of the foreign sales total represented assembly or further processing of U.S. components and materials.

#### *Tax payments to foreign governments*

Overall taxes paid abroad by the direct investment enterprises were \$4½ billion, comprised of \$2.4 billion classified as taxes on income, and \$2.1 billion of indirect taxes, including some production royalties as well as excise taxes and import duties.

Income taxes of \$500-\$600 million were paid in Canada, Europe, Latin America, and Asia. Petroleum companies paid over \$1 billion of income taxes and manufacturing companies about \$0.8 billion.

The total for other taxes is a mixture of many types of tax, and \$1.6 billion of the aggregate is paid by petroleum companies. In this industry the tax and sales figures include large amounts of import duties; manufacturing companies accounted for the most of the other payments of indirect taxes.

In some countries or areas the direct investment companies account for a

substantial portion of total government revenues. In the Latin American Republics, the enterprises contribute some 20 percent of total revenues, with considerably higher percentages in some countries in the area. For Canada, the proportion of overall government revenue was about 16 percent in 1957, and the proportion of corporate income taxes paid by companies classified as direct investments was about 50 percent.

Other operating costs, including amounts not allocated by the foreign enterprises, amounted to \$1.7 billion in 1957, and an additional \$0.4 billion was paid as interest charges. In addition to these cash outlays, charges against income for depreciation and depletion totaled \$1.7 billion.

These operating outlays represent a substantial overall support to incomes abroad, and contribute a significant share of income flows in countries where the investments are concentrated.

Further income flows are generated by the companies through foreign capital outlays which amount currently to some \$4 billion annually, exclusive of imports from the United States. These expenditures will be discussed in detail in the next issue of the SURVEY OF CURRENT BUSINESS.

### Earnings Reflect Growth

The U.S. share in the earnings of direct investment enterprises reached a peak of over \$3½ billion in 1957, largely on the basis of a surge in the petroleum industry. Earnings of this industry dropped sharply in 1958 and declined further in 1959 as the extraordinary conditions of 1957 subsided, tax and other costs rose, and prices weakened. On the other hand, earnings of the manufacturing companies, which had advanced relatively slowly to 1957, jumped over 20 percent in 1959 to \$1.1 billion.

Reflecting these offsetting movements, overall earnings dropped to about \$3 billion in 1958 and then recovered to \$3.3 billion in 1959.

Recent declines in petroleum earnings have centered largely in Venezuela and the Middle East, the major producing areas. Earnings in most other countries, and from tanker operations,

remained low in 1959 compared to the 1957 amounts. Net losses were reported in a number of countries, although in some, notably North Africa, these represented costs of developing new properties rather than current operating results.

Improvement in manufacturing earnings was widespread in 1959, with Canada, Germany, and the United Kingdom responsible for large gains. In part the increase in earnings reflects the mounting investment in manufacturing facilities abroad, as well as the general upturn in economic activity in these and other countries in 1959.

Mining companies also reported a sharp recovery in earnings in 1959—some 50 percent—as prices rose and output of some metals, particularly copper, iron ore and nickel, was increased. Canada and Chile each accounted for about \$30 million of the gain from the depressed earnings level of 1958.

Trade and distribution enterprises accounted for \$300 million of earnings in 1959, as this industry steadily grows in importance. Earnings of public utilities were about \$110 million, slightly reduced from 1958, while earnings of agricultural properties at \$50 million remained low compared to earlier years.

In addition to the U.S. share in earnings discussed above, foreign shareholders had an equity of about \$400 million in earnings as tabulated in the new census. Half of this amount was for Canadian companies, and foreign shares were also sizable in manufacturing enterprises in Europe and Latin America, and in mining companies in Africa.

#### *Income receipts stable*

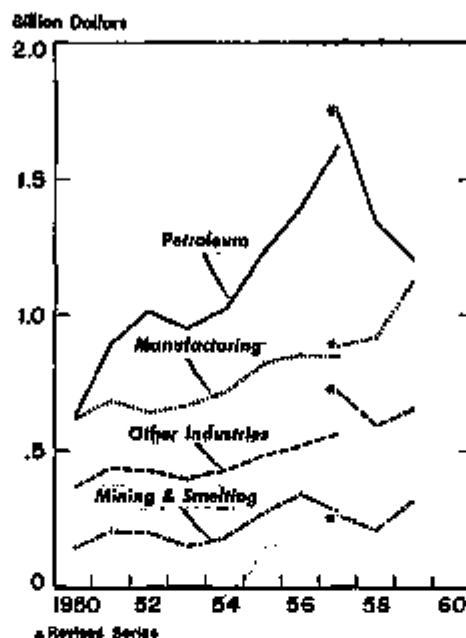
Payments to the United States from the direct investments of dividends, interest and branch profits totaled \$2.2 billion in 1959, about the same as in 1957 and slightly above the 1958 amount. Income receipts have been comparatively stable in recent years as variations in earnings have affected mainly the amount retained abroad as undistributed profits of subsidiaries.

As shown in Table 3, the petroleum industry now accounts for about half of the income receipts and manufactur-

ing for about one quarter. Since 1957 the share of petroleum has fallen and that of manufacturing is rising.

On an area basis the Latin American Republics and the Middle East each

### EARNINGS OF DIRECT FOREIGN INVESTMENTS, BY INDUSTRY



U. S. Department of Commerce, Office of Business Economics 80-9-9

accounted for \$600 million of income receipts in 1959, substantially less than in 1958. Higher receipts from mining

operations in Latin America offset some of the drop in petroleum.

Substantially higher receipts from Europe, and a moderate increase from Canada, resulted from the advance in manufacturing earnings.

#### *Reinvested earnings finance growth*

Over \$1 billion of the earnings of foreign subsidiaries was retained abroad for investment in 1959, providing a large share of the financing available for expansion. Increased investment activity and improved earnings in most industries raised the amount reinvested as compared with 1958; the total amount reinvested would have exceeded the record \$1.4 billion of 1957 if it were not for sharp declines in the petroleum and shipping categories from their 1957 highs.

Manufacturing enterprises accounted for over half of total reinvested earnings in 1959, as they continued to retain abroad about half of their earnings. About 80 percent of the gain in Canadian manufacturing earnings in 1959 was retained abroad, but only 30 percent of the gain in Europe.

Of the other industries, the trade and distribution firms showed a large increase in the amount retained abroad, absorbing most of their increased earnings. For petroleum companies the overall decline in undistributed subsidiary profits showed up primarily in international tanker operations.

### Balance-of-Payments Effects

IN THE course of establishing a complex aggregate of productive facilities abroad, and setting in motion new streams of goods and services, many direct and indirect changes are made in the existing structure of international transactions and of domestic economies. The full effects of these changes can not be measured, but the data collected in the new census give some dimensions which can assist in understanding and analyzing these effects.

#### *Transactions with the United States*

Transactions of the foreign enterprises which were directly reflected in the balance of international payments of the United States for 1957 were (1) exports to the United States of \$3.7 billion, (2) capital flows from the United States of \$2.5 billion, (3) remittances of income and fees to the United States of \$2.5 billion, (4) reported imports from the United States of \$2.6 billion. These transactions, allowing for some understatement

Table 1.—Value of direct investments abroad, by selected

Table 2.—Direct-investment capital flow and undistributed subsidiary

Table 3.—Direct-investment earnings and income,<sup>1</sup> by selected

(Millions of dollars)

Table 1											Table 2							
Line		1960	1967	1968	1969 *							Net capital outflows						
					Total	Mining and smelting	Petroleum	Manufacturing	Public utilities	Trade	Other	1967	1968	1969 *				
														Total	Mining and smelting	Petroleum	Manufacturing	Other
1	All areas, total.....	11,788	25,202	27,285	25,735	2,585	10,423	3,692	2,412	2,039	2,310	2,482	1,181	1,430	239	511	494	290
2	Canada, total.....	3,679	8,837	3,333	10,771	1,694	2,405	4,633	630	641	838	718	421	609	120	113	130	37
3	Latin American Republics, total.....	4,465	7,434	7,751	8,215	1,252	2,203	1,495	1,191	641	650	1,103	395	358	75	129	63	71
4	Mexico, Central America and West Indies, total.....	1,498	2,234	2,355	2,614	204	209	493	561	262	652	190	54	80	2	19	8	28
5	Cuba.....	622	849	679	643	143	143	115	313	41	341	88	20	62	14	14	4	42
6	Dominican Republic.....	100	88	93	87	3	3	5	5	2	80	-10	5	-7	3	3	1	1
7	Guatemala.....	100	100	110	121	20	20	43	43	5	42	19	0	13	3	3	3	11
8	Honduras.....	62	105	114	110	3	3	22	22	1	88	-10	4	1	3	3	3	1
9	Mexico.....	415	739	745	760	137	30	355	115	62	30	85	-10	10	1	1	1	1
10	Panama.....	58	201	208	225	16	16	8	21	117	130	15	31	18	7	7	2	2
11	Other countries.....	100	145	140	145	14	22	11	38	9	50	3	-5	9	1	1	3	3
12	South America, total.....	2,847	6,200	5,906	5,702	1,004	1,694	947	520	278	108	1,404	245	257	50	110	55	42
13	Argentina.....	326	323	330	261	3	3	158	158	10	187	21	8	45	13	13	13	13
14	Brazil.....	644	834	705	890	5	5	488	488	101	21	23	32	45	2	2	2	2
15	Chile.....	540	685	687	730	526	526	21	21	10	172	28	25	35	6	6	6	6
16	Colombia.....	163	200	200	226	226	226	77	77	25	31	12	-5	10	1	1	1	1
17	Peru.....	145	283	400	427	242	70	31	18	35	19	50	30	17	17	17	17	17
18	Venezuela.....	603	1,485	2,058	2,058	2,164	100	29	165	229	229	143	97	82	82	1	1	1
19	Other countries.....	80	121	135	135	2	63	22	16	11	34	10	28	7	8	8	3	3
20	Western Hemisphere dependencies.....	121	619	696	722	149	340	21	49	47	149	57	30	51	17	26	3	3
21	Europe, total.....	1,733	4,153	4,872	5,380	89	1,453	2,827	44	861	345	287	190	466	148	231	87	87
22	Common Market, total.....	637	1,694	1,908	2,104	9	782	1,135	28	209	61	95	190	171	68	72	31	31
23	Belgium and Luxembourg.....	30	192	208	210	53	53	128	1	23	4	2	13	1	1	1	1	1
24	France.....	217	444	548	612	201	201	334	10	61	13	15	27	45	2	2	2	2
25	Germany.....	204	481	544	705	201	201	480	2	74	29	75	24	27	23	23	17	17
26	Italy.....	63	282	282	313	142	142	126	1	22	21	-2	2	2	2	2	2	2
27	Netherlands.....	84	191	297	244	136	136	68	14	29	2	8	18	23	23	23	1	1
28	Other Europe, total.....	1,096	2,471	2,968	3,106	41	721	1,792	10	372	165	191	64	205	80	130	66	66
29	Denmark.....	32	42	50	48	23	23	15	8	2	2	1	1	1	1	1	1	1
30	Norway.....	24	51	53	62	26	26	19	4	15	3	1	1	1	1	1	1	1
31	Spain.....	31	44	48	53	16	16	25	3	3	3	3	3	3	3	3	3	3
32	Sweden.....	58	100	107	125	54	54	33	28	6	4	2	21	11	11	11	11	11
33	Switzerland.....	25	80	82	100	11	11	66	24	24	24	6	6	6	6	6	6	6
34	United Kingdom.....	247	1,074	2,147	2,475	492	1,007	20	240	120	173	69	190	10	10	10	10	10
35	Other countries.....	70	182	191	190	25	94	20	9	34	8	11	10	10	10	10	4	4
36	Africa, total.....	287	684	740	843	204	338	128	5	45	84	5	48	27	23	1	1	1
37	North Africa.....	60	300	321	348	2	126	8	4	5	3	16	12	26	1	28	1	1
38	East Africa.....	12	30	35	43	1	29	2	3	2	2	4	3	8	3	5	3	3
39	West Africa.....	42	147	183	255	102	84	1	1	4	62	13	17	20	25	4	1	1
40	Central and South Africa, total.....	177	384	407	417	180	190	112	1	32	14	-24	7	13	1	12	1	1
41	Rhodesia and Nyasaland.....	25	50	66	72	83	83	100	28	2	8	-21	1	1	1	1	1	1
42	Union of South Africa.....	140	321	321	323	97	97	33	28	28	66	-21	5	13	1	1	1	1
43	Other countries.....	12	21	22	21	3	19	3	2	2	1	1	1	1	1	1	1	1
44	Asia, total.....	1,461	2,819	3,179	2,230	20	1,662	245	96	114	36	141	65	2	1	1	1	1
45	Middle East.....	602	1,138	1,234	1,208	1,170	28	3	7	5	71	00	-8	1	1	1	1	1
46	Far East, total.....	309	681	654	1,028	20	493	225	83	107	92	70	14	1	1	1	1	1
47	India.....	38	113	120	130	43	43	3	3	10	10	1	1	1	1	1	1	1
48	Indonesia.....	56	100	108	163	8	8	1	1	153	153	15	15	15	15	15	15	15
49	Japan.....	19	185	181	210	71	71	21	21	117	16	-13	16	16	16	16	16	16
50	Philippine Republic.....	149	266	341	385	35	35	35	35	45	160	34	31	31	31	31	31	31
51	Other countries.....	46	168	110	134	10	10	3	3	20	70	1	5	5	5	5	5	5
52	Oceania, total.....	236	536	780	875	28	453	412	1	48	83	-1	25	26	1	1	1	1
53	Australia.....	231	533	655	739	27	386	386	15	38	282	-1	21	24	1	1	1	1
54	New Zealand.....	25	48	30	54	1	1	1	1	14	24	-1	1	1	1	1	1	1
55	Other countries.....	20	66	81	83	1	1	1	1	83	83	1	1	1	1	1	1	1
56	International.....	356	1,041	1,188	1,320	338	682	682	682	682	682	186	72	26	21	21	21	21

\*Combined in other industries.

\*\*Less than \$500,000.

\* Revised. \* Preliminary.

NOTE.—Book values in 1959 and 1960 have been adjusted downward by \$142 million and \$88 million, respectively, to reflect declining exchange rates for some currencies. The major reductions were in Argentina (\$42 million) and Brazil (\$136 million). Adjustments made for other reasons have increased values by \$40 million in the 2 years, primarily in Canada.

countries and years, and major industries, 1959

earnings, by selected countries, 1957-58, and major industries, 1959

countries, 1957-59, with major industries for 1959

(Millions of dollars)

Table 2—Continued							Table 3														
Undistributed subsidiary earnings							Earnings							Income							Line
1957 *	1958 *	1959 *					1957 *	1958 *	1959 *					1957 *	1958 *	1959 *					
		Total	Mining and smelting	Petroleum	Manufacturing	Other			Total	Mining and smelting	Petroleum	Manufacturing	Other			Total	Mining and smelting	Petroleum	Manufacturing	Other	
1,343	948	1,481	48	109	574	120	3,861	3,434	3,358	315	1,188	1,129	628	2,249	2,149	2,328	249	1,194	549	319	1
967	279	394	32	45	240	78	863	699	744	67	74	438	134	313	316	345	32	41	208	64	2
239	143	282	30	31	71	30	1,998	769	774	141	328	120	191	880	641	698	135	282	50	123	3
80	57	59	2	12	25	44	213	167	168	14	8	44	91	134	131	80	11	14	15	45	4
30	30	14	3	8	33	2	73	60	28	3	6	7	16	18	42	22	5	1	3	19	5
1	1	1	2	1	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6
2	2	2	2	2	3	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	7
15	15	23	1	3	33	1	54	54	4	6	33	33	33	1	1	1	1	1	1	1	8
38	38	41	2	1	3	1	54	51	8	1	1	1	1	54	17	15	10	1	1	1	9
2	2	2	2	2	3	2	17	9	8	1	1	1	1	5	7	7	7	1	1	1	10
150	78	123	7	10	50	47	883	103	617	127	313	70	100	746	630	509	124	206	28	61	12
12	1	14	1	1	10	4	29	12	24	2	1	16	9	17	11	11	1	1	5	13	13
33	19	34	1	1	37	6	69	48	54	3	3	36	11	49	32	33	1	1	13	14	14
5	8	10	1	1	2	5	47	45	77	33	11	42	11	48	38	71	1	1	1	1	15
12	1	1	1	1	1	1	30	17	17	1	1	1	1	10	3	11	1	1	1	1	16
80	65	53	3	1	11	31	84	17	96	12	1	1	1	8	34	16	23	3	1	1	17
2	1	3	3	1	1	1	570	485	125	12	1	1	1	80	563	481	1	1	3	69	18
31	46	24	4	1	1	22	123	95	55	58	19	1	25	31	47	71	47	21	1	3	19
294	285	268	1	1	207	96	583	562	789	10	114	444	142	261	335	445	14	125	234	10	21
110	113	84	1	1	76	33	207	201	241	17	171	73	83	81	134	134	23	84	27	22	22
21	13	4	1	1	2	1	32	23	23	1	13	0	0	10	10	10	1	1	4	23	23
34	30	25	1	1	10	8	50	32	40	1	13	13	13	20	20	20	1	1	13	24	24
30	57	52	1	1	64	6	65	91	121	1	113	18	18	24	24	24	1	1	53	25	25
10	5	12	1	1	6	4	30	17	29	1	18	7	7	12	12	12	1	1	8	26	26
12	1	1	1	1	1	5	31	6	13	1	4	4	4	18	18	18	1	1	3	27	27
178	125	100	1	1	131	37	370	381	469	10	372	90	90	190	257	309	11	102	142	63	28
1	1	1	1	1	1	1	4	4	1	1	1	1	1	2	2	2	1	1	2	1	28
3	3	4	1	1	1	1	4	4	2	1	1	1	1	1	1	1	1	1	1	1	29
2	2	3	1	1	1	1	4	4	2	1	1	1	1	1	1	1	1	1	1	1	30
3	3	13	1	1	1	1	13	13	23	1	11	0	0	10	10	10	1	1	0	4	31
100	109	128	1	1	110	22	332	340	418	1	112	248	28	173	232	291	11	114	136	34	32
7	3	0	1	1	3	3	15	0	18	1	0	3	3	7	2	4	1	1	1	4	33
47	44	49	16	18	4	13	34	51	50	28	27	17	28	41	8	7	23	13	14	14	36
1	2	3	1	1	1	1	24	28	33	1	30	1	1	23	31	36	1	1	1	1	37
1	2	3	1	1	1	1	1	3	3	1	3	1	1	2	1	1	1	1	1	1	38
22	10	22	8	1	13	13	37	27	32	12	12	1	23	16	7	10	3	1	11	11	39
26	30	22	6	10	4	3	31	50	66	28	8	10	4	51	30	22	10	13	2	2	40
1	5	15	1	1	1	1	15	7	12	10	1	1	1	0	5	5	1	1	1	1	41
24	15	15	1	1	1	1	64	43	43	15	15	1	1	40	20	14	14	1	1	1	42
1	1	1	1	1	1	1	2	2	1	1	1	1	1	2	2	2	1	1	1	1	43
122	87	64	2	13	19	23	751	280	757	3	653	37	58	639	128	704	1	650	16	33	44
36	13	9	1	1	1	1	607	656	301	1	587	1	2	508	670	601	1	590	1	1	45
22	70	65	2	18	23	23	144	144	100	3	70	38	52	63	68	102	1	10	10	20	46
7	0	11	1	1	1	1	13	17	17	1	1	1	1	0	8	8	1	1	1	1	47
44	32	17	1	1	11	11	62	62	54	1	52	2	62	11	26	40	1	1	1	1	48
8	7	14	1	1	5	5	23	10	24	1	18	1	18	15	4	10	1	1	1	1	49
31	29	22	1	1	15	15	42	55	58	1	41	10	10	25	33	33	1	1	1	1	50
2	3	4	1	1	1	1	14	10	13	1	1	1	1	12	6	8	1	1	1	1	51
50	53	64	6	21	33	6	91	100	111	0	72	12	37	42	43	43	1	1	1	1	52
47	50	60	8	33	33	22	81	90	101	0	62	20	30	36	37	37	1	1	1	1	53
1	2	3	1	1	1	1	2	2	2	1	1	1	1	2	2	2	1	1	1	1	54
153	74	24	1	1	33	33	270	75	41	1	1	40	14	1	14	1	1	1	1	1	55

\*Combined in other industries.

\*\*Less than \$200,000.

†Revised.

‡Preliminary.

§Income is the sum of dividends, interest, and branch profits; earnings is the sum of the U.S. share in net earnings of subsidiaries and branch profits.

||Revised.

¶Preliminary.

||Included in total.

\*\*Less than \$200,000.



of imports from the United States, yield a large direct dollar return to foreign countries in the aggregate, and are particularly important in the cases of many individual countries.

Far outweighing this particular though beneficial result, however, is the gain in foreign incomes resulting from production abroad of goods or services which otherwise would not have been available, and from the capital formation originating with the companies' activities.

The full amount of production costs and other payments abroad cannot be taken as a measure of the net gain to foreign countries, since the foreign factors of production employed would have been utilized to some extent in any case, yet a substantial part of this total represents a net gain in production abroad. In the relatively undeveloped countries, where resources would have been inefficiently utilized without the benefit of outside capital, a very large part of the incomes generated by the U.S. investment can be regarded as a net gain to local economies.

### Operations in Latin America

Direct investment enterprises are a major element in international and domestic economic developments in most countries of Latin America. Gross production by the companies had a sales value of nearly \$8 billion in 1957, and after deducting imports and profit remittances is equivalent to roughly 10 percent of the economic product of the area. Nearly \$3 billion of these sales represents exports from Latin America, and these exports amounted to one-third of all exports from Latin America; Venezuela, Chile, and Mexico, account for the larger part of this export activity.

Direct transactions with the United States resulted in a net dollar gain of about \$1 billion for Latin America in 1957 and a like gain of foreign exchange resulted from transactions with countries in the rest of the world.

Production of manufactures, fuels, and other commodities for Latin American consumption resulted in a saving of foreign exchange no less important

than the gains resulting from actual international transactions. Local sales by the companies aggregated \$4½ billion in 1957, and are rising steadily.

Total operating costs of the direct investments in Latin America (after eliminating imports and noncash charges) were about \$6 billion in 1957, including about \$300 million in European dependencies in the area. In addition, local outlays on capital account, after making an allowance for imported equipment, were approximately \$1 billion.

Manufacturing and petroleum enterprises each accounted for about a third of the current outlays, and petroleum companies were responsible for a major part of the capital expenditures. It appears that about 70 percent of the value of commodities produced by the companies in the area consisted of local outlays for labor, materials, other costs, and taxes.

### Canada

U.S. direct investments in Canada have contributed extensively to that country's industrial development and

to the expansion of its international trade. The sales value of commodities and utility services furnished by the companies exceeded \$11 billion in 1957. Export sales amounted to \$2 billion, about 60 percent of which was manufactures and 30 percent was metals and minerals other than petroleum. Two-thirds of these exports from Canada went to the United States.

Production by the firms in Canada immediately affects the balance of payments of that country by reducing imports of certain goods and augmenting exports. For a wide range of manufactured items, production within Canada greatly exceeds imports from the United States and similar results have come from the development of mineral resources. Of course, the gross value of local sales is not a measure of net exchange savings to Canada, since imported components and materials, mainly from the United States, were well over \$1 billion, alternative uses of the resources could be expected to yield some foreign exchange income, and some of the earnings are remitted to the United States.

Table 4.—Direct Investments in Manufacturing Enterprises Abroad, 1950, 1957, and 1959, by Commodity

(Millions of dollars)

Area and year	Manufacturing, total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other products
<b>All areas, total</b>										
1950.....	3,831	483	378	512	182	280	470	887	485	509
1957.....	8,808	723	722	1,878	491	841	927	781	1,201	983
1959.....	9,403	651	811	1,067	460	1,161	1,209	894	1,003	1,147
<b>Canada</b>										
1950.....	1,807	227	248	188	50	248	264	241	180	292
1957.....	3,924	320	328	647	133	671	237	330	388	471
1959.....	4,460	298	627	742	142	772	261	300	450	524
<b>Latin America<sup>1</sup></b>										
1950.....	791	158	5	206	60	28	13	70	82	105
1957.....	1,288	231	30	834	132	60	62	130	134	100
1959.....	1,426	165	50	361	160	71	67	137	210	206
<b>Europe</b>										
1950.....	832	64	5	74	31	111	178	153	182	138
1957.....	2,184	145	42	319	59	178	488	214	475	272
1959.....	2,827	197	54	440	70	370	674	270	603	343
<b>Africa</b>										
1950.....	65	6	9	11	1	2	3	17	0	0
1957.....	108	10	8	12	21	6	17	6	27	0
1959.....	120	14	2	35	24	6	20	6	24	6
<b>Asia</b>										
1950.....	80	9	15	15	24	(**)	5	2	8	10
1957.....	180	15	9	40	38	20	15	12	23	18
1959.....	249	15	13	50	49	27	16	15	29	28
<b>Oceania</b>										
1950.....	107	18	1	13	5	3	22	0	20	6
1957.....	314	29	3	37	17	9	26	34	140	26
1959.....	412	40	4	40	25	10	42	41	176	34

1. Includes minor amounts in the Western Hemisphere dependencies.  
 \*\* Less than \$500,000.



## Europe

Direct investments in the industrialized countries of Europe differ substantially in nature and effect from those established in less developed countries. The investments are primarily in manufacturing and distribution, with only minor investments in natural resource development.

Manufacturing operations by U.S. companies in Europe are significant to many countries through their production of items formerly imported, while in others they also have a sizable share in the development of export markets. Total manufacturing production by the companies in Europe had a sales value of \$8.3 billion in 1957, compared with imports from the United States of similar manufactures of less than \$2 billion. Some of the imports from the United States are brought in by the companies. For most of the manufactured goods, production in the area far exceeded imports from the United States.

Production by the companies for export is large in only a few countries, notably the United Kingdom, Germany, Belgium and Switzerland. Export sales totalled \$1.4 billion in 1957, including about \$200 million to the United States. Exports from the United Kingdom accounted for more than half of each of these amounts, and contributed more than 10 percent of all United Kingdom exports of manufactures, with much higher percentages for many specific commodities.

For other European countries, the share of the U.S. enterprises in exports was relatively minor, amounting to about 3 percent in Germany, for instance.

Considering the very substantial scale of operations of the direct-investment companies in Europe, their transactions with the United States are quite small. In 1957, the capital flow from the United States and remittances of income to the United States were each about \$0.3 billion, while imports and exports of the United States related to the activities of these companies were only a minor part of total United States trade with Europe. Capital flows to Europe and income remitted have each risen to over \$0.4 billion in 1959.

## Private Portfolio Investments Abroad

**PURCHASES** of foreign securities and long- and short-term loans by banks amounted to a further private capital outflow of nearly \$1 billion in 1959, and are proceeding at a somewhat higher rate in the current year.

Sales of new foreign security issues in the U.S. market were at a peak in 1958, but diminished in 1959 as interest rate differentials were reduced, and have been quite small since the early months of this year. Most of the change from 1958 to 1959 resulted from a shift by the International Bank which

borrowed funds in Europe to a greater extent than previously.

Acquisitions of foreign corporate stocks, which had been sizable in 1958 and the first half of 1959, were resumed again on a substantial scale this year. Market values of these securities advanced sharply in 1959 and continue to rise but at a slower rate.

Medium and short-term loans and liquid foreign assets held by banks for their own account and for customers were increased by about \$½ billion in the first half of 1960, approximately

Table 5.—Sales of Direct-Investment Enterprises, by Areas and Selected Industries, 1957 and 1959

(Millions of dollars)

	All areas		Canada		Latin America <sup>1</sup>		Europe		Other	
	1957	1959	1957	1959	1957	1959	1957	1959	1957	1959
<b>Selected Industries, total</b> .....	21,219	22,368	8,422	9,768	2,968	4,228	8,386	7,749	2,055	2,228
<b>Manufacturing, total</b> .....	18,331	21,008	7,897	8,779	2,495	2,689	6,313	7,679	1,648	1,910
Food products.....	2,467	3,590	928	960	695	630	734	759	188	298
Chemicals and allied products.....	2,411	3,940	807	1,000	499	590	822	1,630	193	200
Primary and fabricated metals.....	1,948	1,693	927	930	111	90	434	490	75	79
Machinery, except electrical.....	1,903	2,138	606	799	60	30	1,008	1,300	133	140
Electrical machinery.....	2,047	3,080	1,086	1,630	300	308	678	720	69	140
Transportation equipment.....	4,228	4,380	1,488	1,800	579	400	1,700	3,370	606	740
Other.....	3,738	4,340	1,383	2,170	958	670	934	1,153	334	300
<b>Agriculture</b> .....	858	519	188	200	882	548	(2)	(5)	87	78
<b>Mining and smelting</b> .....	2,032	2,129	740	780	313	1,018	79	79	383	258

1. Includes Western Hemisphere dependencies.  
2. Negligible.

Table 6.—Current Expenditures of Direct Investments, 1957, by Type, Area, and Industry

(Millions of dollars)

Area and industry	Total costs	Materials and services <sup>1</sup>	Wages and salaries	Depreciation and depletion	Interest	Other taxes (indirect)	Income taxes	Other and unallocated <sup>2</sup>
<b>Total</b> .....	37,874	23,036	5,878	1,709	436	2,106	2,395	1,736
<b>Areas</b>								
Canada.....	11,777	7,001	2,084	555	161	218	822	574
Latin American Republics.....	6,981	3,580	1,374	428	96	508	575	302
Western Hemisphere dependencies.....	638	367	60	33	2	8	28	1
Europe.....	11,379	6,947	1,960	365	97	1,031	612	486
Africa.....	1,119	780	123	44	8	50	71	66
Asia.....	3,231	1,782	425	160	39	230	550	59
Oceania.....	1,380	610	219	49	8	61	71	84
International.....	961	884	83	51	12	(**)	7	61
<b>Industries</b>								
Agriculture.....	784	420	107	47	4	27	37	13
Mining and smelting.....	1,741	808	304	174	21	34	248	77
Manufacturing.....	12,809	7,070	1,187	788	91	1,033	1,006	382
Public utilities.....	1,070	478	304	113	58	19	43	90
Trade.....	1,317	(1)	741	64	21	50	103	272
Other industries.....	1,933	1,080	442	48	100	31	61	189

1. Excludes cost of goods sold by trading organizations.  
2. Excludes claims paid by insurance companies.  
\*\* Less than \$500,000.

equal to the gain for the year 1959. Preliminary data show a marked increase in short-term flows after the middle of 1960, leading to more rapid foreign accumulations of dollars and gold than would otherwise occur. The recent outflows reflect a widening of effective yields, especially in favor of United Kingdom bills, and a continuation of credit extensions to Venezuela and Japan.

As a result of these capital outflows and improved market prices, private long-term foreign investments, other than direct investments, reached a total of nearly \$11½ billion by the end of 1959, and short-term assets were in excess of \$3½ billion.

### Foreign Investments and Assets in the United States

Investments by foreigners in long-term assets in the United States were at a postwar high in 1959, with capital inflows reaching nearly \$550 million and reinvested earnings approaching \$200 million. After taking into account some gains in security prices, the value of these investments neared \$17 billion at the end of 1959, as shown in table 7.

The inflow of funds for investment, which mitigated to some extent foreign acquisitions of liquid dollar assets and gold, continued high in the first quarter of 1960 but has since fallen off.

Purchases of U.S. corporate securities by European investors were the prin-

Table 7.—International Investment Position of the United States, by Area, 1954-59

(Millions of dollars)

	Total		Western Europe		Canada		Latin American Republics		Other foreign countries		International institutions and unaffiliated	
	1954	1959	1954	1959	1954	1959	1954	1959	1954	1959	1954	1959
U.S. investments abroad, total.....	59,335	64,773	17,426	16,479	14,562	15,379	11,853	12,774	9,288	10,443	5,504	7,191
Private investments.....	51,004	61,775	7,950	6,106	14,058	15,790	10,184	10,858	8,105	9,312	2,128	3,246
Long-term.....	37,516	41,152	6,906	5,206	14,251	16,343	8,790	9,451	5,442	6,926	2,128	3,246
Direct.....	27,355	29,735	4,473	3,200	9,338	10,171	7,751	8,215	4,405	4,730	1,188	1,790
Foreign dollar bonds.....	2,031	4,314	244	227	2,004	2,310	139	140	517	634	907	903
Other foreign securities.....	2,600	4,229	974	1,473	2,474	2,606	40	40	189	175	225	223
Other.....	2,040	2,874	1,114	1,100	345	344	360	1,033	251	291	—	—
Short-term.....	3,488	3,023	1,054	884	407	436	1,264	1,407	663	286	—	—
U.S. Government credits and claims.....	18,341	20,004	9,466	9,373	4	10	1,669	1,940	1,183	3,331	3,476	4,845
Long-term.....	16,102	17,586	8,974	8,528	—	—	1,669	1,781	1,067	2,422	3,476	4,845
Short-term.....	2,180	2,418	592	845	4	10	—	159	1,116	909	—	—
Foreign assets and investments in the United States, total.....	54,931	46,653	10,213	21,024	5,351	5,799	3,739	3,794	3,571	4,317	2,128	3,227
Long-term.....	15,210	16,082	10,299	11,503	2,943	3,079	1,098	1,104	716	803	81	163
Direct.....	4,540	6,220	3,090	3,290	1,031	1,089	135	130	94	113	—	—
Corporate stocks.....	8,305	9,303	6,030	6,800	1,171	1,250	603	743	498	476	32	38
Corporate, State and municipal bonds.....	455	820	216	264	1	1	64	64	34	36	49	66
Other.....	1,519	1,840	973	1,003	140	140	278	215	189	189	—	—
Short-term assets and U.S. Government obligations.....	29,721	24,999	5,914	10,421	2,408	2,721	2,641	2,690	2,855	3,514	2,047	3,064
Private obligations.....	10,031	10,808	4,675	4,455	1,447	1,696	2,567	2,357	2,198	2,214	244	144
U.S. Government obligations.....	9,781	13,138	4,239	5,966	961	1,025	283	273	657	1,300	1,804	3,080
Long-term.....	1,488	2,140	472	838	252	263	187	187	67	93	501	689
Short-term.....	7,301	10,060	3,766	5,128	700	758	456	486	590	1,200	1,304	2,014

1. Represents the estimated investment in shipping companies registered in Panama and Liberia.  
 2. Consists primarily of securities payable in foreign currencies, but includes some dollar obligations, including participations in loans made by the International Bank for Reconstruction and Development.  
 3. Includes U.S. currency not distributed by area estimated at \$800 million at the end of 1956 and \$900 million at the end of 1959.

Source: U.S. Department of Commerce, Office of Business Economics.

cipal feature of the inflow in 1959 and the first quarter of 1960. This flow appears to be diminishing.

The inflow of foreign funds for direct investment has not been large in recent years, with most of the funds required for expansion coming out of earnings, or from borrowing in the United States.

Reinvested earnings in 1959 and probably also in 1960 have increased sharply as dividend distributions have been stable while earnings rose considerably.

Although not requiring large inflows of capital, there has been some increase in activity by foreign companies establishing affiliates in the United States.